



# FAIRFAX COUNTY

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V I R G I N I A

February 23, 2004

Honorable Board of Supervisors  
County of Fairfax  
Fairfax, Virginia

Chairman, Ladies and Gentlemen:

I am pleased to transmit to the Board of Supervisors and the citizens of Fairfax County my budget proposal for Fiscal Year 2005 which totals \$4,651,562,710 including General Fund Disbursements of \$2,734,445,214, a 4.47 percent increase over the *FY 2004 Revised Budget Plan*. The FY 2005 Advertised Budget Plan represents a balanced budget that is in conformance with the Board's Budget Guidelines, which limit County and School expenditure increases to the projected growth in available revenues.

FY 2005 presents both a challenge and an opportunity to look at the County's budget and services beyond just the next year, but from a broader, multi-year perspective. For the past three years, we have faced the dilemma of a revenue base where growth has come entirely from residential real estate taxes.

We have had to carefully balance the need for taxpayer relief against County and Schools' requirements and services, and we have been forced to review program area against program area. In doing so, we have directed available County resources toward priorities such as education and public safety, while making reductions to central agencies and trimming administrative/managerial functions.

To a large extent, we have been successful, reducing the tax rate by seven cents since FY 2002 from \$1.23 to \$1.16 per \$100 of assessed value. The reduction in the tax rate saved County taxpayers on average \$225 annually by FY 2004. However, in order to achieve this reduction within the constraints of our revenue picture, we have had to cut \$101 million cumulatively from the County budget over the past three fiscal years. This action afforded taxpayers some relief and provided additional support to Fairfax County Public Schools (FCPS), particularly in the face of funding shortfalls at the state level.

As the Board is aware, these cuts have not been without consequence. Reductions in administrative functions and direct service programs have had an impact on customer service, such as longer wait times. Program reductions and eliminations have resulted in the loss of valuable services for some residents. In making the annual reductions necessary to bring the budget into balance, we have been forced to defer investment in some infrastructure, which has the potential of increasing costs down the road. Residents also feel the impact of these actions through increased fees and fares intended to recover more of the cost of services. Collectively these actions add up, and I believe we have reached the point where trimming around the edges is no longer effective or desirable.

It is understandable why many people want to live and do business in Fairfax County. We enjoy a high quality of life with attractive neighborhoods, excellent schools and safe streets, wide-ranging recreational and cultural opportunities, outstanding opportunities for jobs and business growth, and a government that is responsive to residents' needs. However, this quality of life and the services that support it have a cost. Our challenge over the coming years is to weigh these costs against County

## County Executive Summary

resources, to balance these services against the ability of our residents to fund them, and to gauge how we can address these needs in the future. We must find a reasonable equilibrium. We will never be able to please everyone, but we must at least determine the right balance between our needs and our resources.

By several accounts, the character of the FY 2005 budget year is similar to those of recent years. For the fourth consecutive year, we are seeing double-digit growth in residential real estate assessments. This trend continues to result from the booming housing market that is fueled by historically low mortgage rates, the constrained supply of housing and improvement in the local economy. Similar trends are seen in our neighboring jurisdictions. Like you, I am extremely concerned about the burden this places on homeowners. Particularly since the non-residential sector, while registering modest gains, continues to decline in its proportion of the real estate base. The Commercial/Industrial percentage stands at 18.20 percent for FY 2005, which is the lowest percentage in more than 20 years.

The FY 2005 budget I am presenting relies on projected revenue growth of \$168.9 million or 6.57 percent. This entire increase in revenues is from rising real estate assessments; all other categories combined will actually decrease approximately \$1.0 million in FY 2005. This 6.57 percent growth in revenue in FY 2005 will probably be the next 10 years' highest, particularly in the context of the reduced base we have experienced in recent years with revenue categories suppressed due to subdued economic conditions. Dr. Stephen Fuller, Director of the Center for Regional Analysis, believes that 2004 will be the strongest year of economic growth in this decade. Projections for the next several years trend toward an annual growth rate in County revenues of 5.5 to 6.0 percent.

I have sought to minimize spending increases in the FY 2005 budget to the extent possible, limiting General Fund direct expenditures to an increase of 2.5 percent over FY 2004 for baseline funding adjustments and requirements associated with new facilities planned to come on-line in FY 2005. The only expanded initiative is the Public Safety Operations Center where the volume and complexity of calls to our 911 center have nearly surpassed current staff capacity to respond within acceptable timeframes, requiring us to take action. In accordance with the Board's budget guidelines, the Fairfax County Public Schools operating transfer increase is equal to the projected revenue growth of 6.57 percent, an increase of \$81.5 million in the Schools operating transfer. Total disbursements are proposed at \$2.734 billion, an increase of 4.47 percent over FY 2004.

This proposed budget represents a modest fiscal plan. It funds only the "basics of government" - the level of service we currently provide, including the cost of doing business, mandates, contractual obligations and other existing commitments. Among these basic costs are compensation and benefits, which are significantly impacted by market conditions. A good example is the rising cost of health insurance. Nationally, health spending rose from 13.3 percent of the Gross Domestic Product in 2000 to 14.9 percent in 2002. From 1992 to 1999, the share was stable. The County health care experience has closely mirrored the national trend. Medical and prescription claims costs for the County have more than doubled since FY 1999. Premium increases of 25 percent for the County's self insured health insurance are anticipated for FY 2005, requiring both employees and the County to increase their contributions.

The FY 2005 budget does not fund new programs or initiatives, worthy as some may be. It cannot support, without significant adjustment, additional real estate tax relief, more funding for Schools or other priorities identified by the Board, community and/or County agencies. During the development of this budget, I have reviewed staff and resource shortages with County agencies resulting from greater demand for County services related to human services, education, public safety and homeland security.

# County Executive Summary

Given the constraints of this budget and the cost to fund baseline programs, there is no funding to address these priorities without changing our core County services. I believe that after three years of significant cost-cutting, including the elimination of programs and services, we are now at a critical juncture. We must now make even more difficult choices about our direction for the future.

I anticipate considerable dialogue with the Board and the public regarding actions to take in order to ensure a budget that addresses our priorities, while not unduly burdening taxpayers. In conjunction with the baseline budget I am proposing, I am also providing a list of options for potential budget reductions should the Board wish to take action to reduce the tax rate further or undertake other budget initiatives. Many of these options will have short-term savings but longer term consequences as we make changes to our core services. I believe this conversation is difficult but necessary. These choices will include further reductions to services, the impact of which will directly affect County residents.

During discussions on the FY 2005 budget, I also plan to provide updates to the revenue forecast. The additional time will provide an opportunity to evaluate more recent collections data as well as a revised economic forecast to assess the possibility of additional revenue in FY 2005. If the economic recovery and its impact on various key County revenue categories is stronger than projected, this additional revenue may help mitigate the extent of cuts required. I intend to update the Board with this revenue information prior to action on the budget in April. The FY 2005 proposed budget will also serve as a catalyst to assist both County and School staff in strategic planning, as well as in resource identification and establishment of service priorities, both for FY 2005 and the future.

## Strategic Linkages

Over the past two years, I have directed agencies to prepare strategic plans that identify their mission, vision and values, as well as address the environment in which they operate in order to identify goals and objectives that will guide their actions for the future and identify necessary resources. Building on Fairfax County's already established accountability model, we will also ensure that performance toward achieving these strategic plans is monitored, managed and reported.

In order to ensure consistency through the County, we first undertook an extensive effort to identify the County's Core Purpose and Vision Elements (see adjacent box). All agency strategic plans must link to this overarching framework. This was an internally driven initiative that represents the collective visioning of County staff. Now that we have presented it formally in the annual budget document, I anticipate productive discussion with you, as well as the public.

### COUNTY CORE PURPOSE

*To protect and enrich the quality of life for the people, neighborhoods, and diverse communities of Fairfax County by:*

- Maintaining Safe and Caring Communities
- Building Livable Spaces
- Practicing Environmental Stewardship
- Connecting People and Places
- Creating a Culture of Engagement
- Maintaining Healthy Economies
- Corporate Stewardship

Concurrent with that process, we also engineered a major budget process redesign in order to incorporate strategic planning processes and linkages in the annual budget. This document represents countless hours of staff effort to redesign the budget to more clearly communicate linkages based on County priorities, track and communicate program performance, and develop measures that identify countywide progress on achieving the County's Core Purpose and Vision Elements. While we are very proud of these efforts to date, we recognize that they reflect the first step of what will be an evolving process to further strengthen the ties between strategic planning, resource allocation and performance measurement.

# County Executive Summary

## THE ECONOMY

### ***The National Economy***

Economic conditions at the national level have a ripple effect on the local economy. The National Bureau of Economic Research (NBER) first declared the 2001 recession “officially over” in July 2003, then later stated that it actually ended in November 2001 after only an eight-month period of true recessionary conditions. The confusion was due to the fact that the recovery has been so anemic that many consumers and businesses did not appreciably feel the improvement. However, the U.S. economy grew at its fastest rate in nearly 20 years in the third quarter of 2003, boosted by robust consumer spending that carried into the closing months of 2003 according to the U.S. Commerce Department. In the three months from July through September, Gross Domestic Product (GDP) advanced at an 8.2 percent annual rate, more than double the 3.1 percent pace posted in the second quarter. It then cooled to 4.0 percent in the fourth quarter, which translated to an annual rate of 3.1 percent, which still represents healthy growth. Many economists predict that business activity will post its best growth in four years in 2004, with expectations that GDP will gain as much as 4.5 percent.

After peaking at 6.4 percent in June 2003, the national unemployment rate fell to 5.7 percent in January 2004. Lower unemployment is forecasted for 2004; however, it is not expected to drop much below the 2003 annual average of 6 percent nationally. Concern about slow job growth and historically low inflation has kept the Federal Reserve from boosting short-term interest rates. It is expected that they will not take action on short-term rates until mid-2004. Long-term rates will likely move up as well due to the growing budget deficit, which is projected to exceed \$500 billion. Economists attribute the rising deficit to the tax cuts, occupation and rebuilding of Iraq and Afghanistan, and homeland security requirements which continue to draw resources from other domestic issues.

Modest inflation is expected next year, in line with the Consumer Price Index (CPI) growth of 1.9 percent in 2003. However, there will be exceptions in certain sectors as health care, energy, education, household repairs and accounting services continue to rise faster than the overall CPI.

### ***The State Economy***

Virginia’s economy continues to improve. In December 2003, the unemployment rate dropped another 0.1 percentage point to 3.3 percent. This was the lowest monthly figure in Virginia in 31 months since a 3.2 percent level in May 2001. Northern Virginia had the lowest unemployment rate in the State at 2.0 percent in December. According to the Chief Economist of the Virginia Employment Commission, “... Northern Virginia appears poised to resume its 1980s and 1990s job growth leadership.”

Despite this moderate growth in the economy, Governor Warner and the General Assembly have faced the difficult task of closing a \$6.0 billion deficit over the past biennium. This entailed eliminating more than 50 agencies, boards and commissions; abolishing approximately 5,000 positions, cutting every agency except public education by an average of 20 percent; and producing significant savings through government-wide efficiency plans. Even with assumptions of economic growth and no new programs, Virginia still faces a \$1.2 billion shortfall in the next two-year budget. At the same time, the costs for many core services including education, Medicaid and the adult prison system are expected to rise, some significantly over the next decade. One-time budget fixes as have been done in the past will not correct this long-term structural deficit.

To provide a long-term solution, the Governor has proposed a restructuring of the tax system, which is promoted as a plan that will make the tax system fairer, meet Virginia’s Constitutional commitment to provide education funding and protect the Commonwealth’s fiscal integrity. As I noted to the Board in early January, the Governor’s proposed budget is a good first step in stabilizing the state’s fiscal

## County Executive Summary

structure. It contains a strengthened commitment to K-12 education funding, replenishing the Rainy Day Fund to help preserve the Commonwealth's AAA bond rating, and begins to address the multi-year underfunding of a number of locally provided services. The proposal, which must be adopted by the General Assembly, also includes a provision to allow local governments additional revenue options such as increasing cigarette taxes to help alleviate the burden on residential taxpayers. It should be noted that my budget proposal does not assume higher revenue from these potential options, pending action by the General Assembly.

### ***The Local Economy***

We continue to see gains in the local economy. The Fairfax County Coincident Index, which represents the current state of the County's economy has been positive for the past four months in a row and for the first time in ten months was positive on a monthly over-the-year basis. The local economy's performance is stronger than its average performance over the past year. Despite a slight drop in total employment after nine monthly gains and a slight decline in sales tax revenue, consumer confidence gained for a third month and transient occupancy tax collections registered a strong increase, showing a positive trend for three of the past four months.

Fairfax County's economic expansion gained further momentum in November even though some indicators were slightly negative. The positive trend in the economy's leading indicators over the past six months suggests that the expansion is spreading across the breadth of the economy. This is a sign of growing strength. Consumer spending had been the one major segment that lagged over the past two years; however, with confidence building, consumers are increasing their spending for automobiles and retail goods, while the housing sector, which has been robust throughout the slowdown, continues to register strong growth.

After two years of fits and starts, it is encouraging to see the local economy gaining traction. It is anticipated that job growth will increase slowly over the coming year, peaking in 2005, while gains in consumer spending and business investment will fuel broad-based growth across the County's lagging sectors. The key variable in the County's economic performance will be federal spending, especially procurement for technology-related services. Growth in this area is expected next year that will generate the new jobs needed to absorb the County's surplus office space.

### **THE IMPACT OF THE ECONOMY ON THE COUNTY BUDGET**

As the Board is aware, economic factors as well as intergovernmental relationships have a considerable impact on the County's General Fund revenues, both in FY 2004 and FY 2005.

#### ***Status of the FY 2004 Budget***

Staff has been closely reviewing FY 2004 revenue receipts to date and has updated projections for the remainder of the fiscal year. At this time, we anticipate FY 2004 revenues to be somewhat higher than estimated in the *FY 2004 Revised Budget Plan*. This increase is reflected in the schedules and summaries included in this budget volume.

At this time, FY 2004 revenue estimates assume a net increase of \$12.46 million over the Revised Budget Plan, an increase of 0.5 percent. The majority of the increase is due to revenue categories that continue to react positively to improvement in the local and national economies. Recordation Tax/Deed of Conveyance collections and Clerk's Fees are projected to increase \$14.2 million over the estimate based on the higher number of refinancings than previously anticipated due to continued low

## County Executive Summary

interest rates. The FY 2004 budget had assumed that collections would begin to taper off as the pool of refinancing opportunities diminished and interest rates began to edge upward. However, revenue in this category has continued to increase. The revised estimate assumes that FY 2004 revenue will reach the FY 2003 level of receipts.

Sales tax and BPOL tax receipts also show strong collections in FY 2004 to date and as such, these categories have been adjusted to show a 3.0 percent and 2.5 percent growth rate, respectively, for a total increase of \$6.9 million. Through November 2003, sales tax collections are up nearly 12 percent; however, holiday sales data will be crucial to the overall fiscal year collections in this category. In addition, based on increased supplemental assessments as a result of ongoing construction and final Public Service Corporation (PSC) assessments that are completed by the state, an additional \$2.8 million is anticipated from current real estate taxes in FY 2004.

Lastly, investment interest is increased \$1.7 million based on higher than projected portfolio size and the portion of the total investment portfolio associated with the General Fund. Due to continued low interest rates, the actual investment yield is trending lower than forecasted.

Offsetting these increases is a reduction of \$8.8 million in the current personal property tax revenue estimate. This reduction is due primarily to a reduction in business levy based on current billings and reflects business investment through CY 2002. In addition, revenue from the County's new mobile telecommunications tax is anticipated to be down approximately \$4.0 million based on implementation issues associated with the numerous companies involved in collecting the tax as well as the actual number of accounts and usage. The net impact of these revised revenue estimates and the General Fund balance as of the *FY 2003 Carryover Review* is a total balance of \$22.4 million.

I will be recommending a number of essential expenditure adjustments as part of the *FY 2004 Third Quarter Review*. The largest adjustment requires \$18.7 million to complete the financing necessary for the construction of the County's Public Safety Operations Center (PSOC), which will house the Public Safety Communications Center (PSCC) and the Emergency Operations Center (EOC). This facility, planned for the Camp 30 site, will ensure adequate space, technology, security and communications to manage the volume of 911 emergency calls handled by the PSCC. There has been an 80 percent increase in calls handled by the Center since it opened in 1985 and the operations floor cannot support additional equipment to expand call-taking or dispatching capacity required to efficiently manage the increase in call volume. It will also provide for a new EOC. The County's current EOC is inadequate in terms of space, equipment and technology to support representatives from more than 30 County and state/regional agencies during an emergency operation. In addition, the EOC lacks system redundancy for electricity and telephone service. This equipment is needed to ensure that essential utilities will continue to operate during and following an emergency.

To date, a total of \$39,234,908 has been appropriated to the PSOC project as a result of a previously approved bond referendum and strategic decisions by the Board to earmark available funds for this vital project. This total includes \$29 million in bond funds approved by voters during the Fall 2002 Referendum and \$250,000 in General Fund monies for master planning and site evaluation. In addition, \$9,984,908 in General Fund monies was included as part of the *FY 2003 Carryover Review*. The recommended Third Quarter adjustment of \$18.7 million will provide the funds needed to construct the facility. It is essential that these funds be made available at Third Quarter so that the project can proceed toward a scheduled opening date of FY 2007. Although the adjustment of \$18.7 million will fund the PSOC through construction, additional funds will be necessary for the facility's information technology and equipment requirements.

## County Executive Summary

Furthermore, I anticipate other requirements at Third Quarter. We are assessing the cost of our response and recovery work as a result of Hurricane Isabel, and a number of County agencies may require supplemental funding to offset the cost of this response. Additional funding will also be required to stabilize our health insurance and self insurance funds. Details of these adjustments will be included in the *FY 2004 Third Quarter Review* that will be provided in March for the Board's consideration.

### ***FY 2005 Revenues***

For FY 2005, some improvement in several revenue categories is anticipated as a result of the improving economy. However, others are decreasing based on various factors. The net result is that with the exception of Real Estate Taxes, we are not seeing any other real growth in revenue. FY 2005 General Fund revenues are projected to be \$2,740,650,049, an increase of \$168,882,135 or 6.57 percent over the *FY 2004 Revised Budget Plan*. This level of revenue growth in FY 2005 is due entirely to an 11.36 percent increase in Real Estate Tax revenue. All other categories reflect a net decrease of approximately \$1.0 million from FY 2004. Of particular concern, revenue from real estate taxes will make up 60.5 percent of the total revenue base, up from 58 percent in FY 2004. In FY 2000, this figure was approximately 50 percent.

This increase reflects the strength of the housing market in the County and throughout the Northern Virginia area. As a result of sustained increases in both sales volume and sales price, the majority of residential properties in the County will receive valuation increases. All types of residential property experienced increases in value for FY 2005. While townhouse and condominium property values experienced significant increases due to equalization, changes in the assessed value of single family homes have had the most impact on the total residential base because they represent nearly 74 percent of the total. In FY 2005, every 0.1 percentage point change in the collection rate on the locally assessed Real Estate Tax levy yields a revenue change of \$1.7 million, while every penny on the tax rate yields \$14.5 million in revenue.

The FY 2005 Real Estate estimate is based on a 12.04 percent increase in the FY 2005 valuation of real property, as compared to the FY 2004 Real Estate Land Book. In addition, the FY 2005 Advertised Budget Plan includes an increase in the maximum level of assets allowed for Real Estate Tax relief eligibility from \$190,000 to the State maximum of \$240,000 as directed by the Board of Supervisors. This change in the Tax Relief Program is anticipated to reduce revenue by approximately \$3.9 million in FY 2005.

I continue to be extremely concerned about the decline in the Commercial/Industrial percentage of the County's Real Estate Tax base. For FY 2005, it is 18.20 percent, a drop of 0.94 percentage points from the FY 2004 level of 19.14 percent. FY 2005 marks the fourth consecutive decline in the Commercial/Industrial percentage and is due to the larger increase experienced in the residential portion of the Real Estate Tax base.

Among the other major revenue categories, the picture is mixed. We are finally seeing a return to healthy Sales Tax revenue growth. In FY 2002, Sales Tax receipts declined 5.9 percent from the level achieved in FY 2001. This decrease was only the second time in 30 years that Sales Tax receipts had fallen from their previous year's level. In FY 2003, Sales Tax receipts rose just 1.0 percent above the level achieved in FY 2002. Yet Sales Tax receipts through January, representing retail purchases from June through November (FY 2004), are up a robust 11.7 percent over the same period of FY 2003. Retail sales during, and immediately after the holidays will have a significant impact on the overall growth rate of Sales Tax receipts. We will not know the December figure until February 2004. The FY 2004 Sales Tax receipt estimate will also be reviewed during the *FY 2004 Third Quarter Review* for possible adjustment.

## County Executive Summary

Interest on Investments is another revenue category with extreme variation over the past few years. The County's investment income has been severely affected by interest rate reductions made by the Federal Reserve. In order to combat growing weakness in the economy, the Fed reduced interest rates 13 times between 2001 and 2004. In FY 2003, the annual average yield on the County's portfolio was 1.49 percent and interest earned on investments was \$17.8 million. Total revenue in this category dropped from \$56.3 million in FY 2001 to \$15.1 million in FY 2004, a level that is not expected to increase appreciably for FY 2005.

A category that has actually benefited from low mortgage interest rates is Recordation/Deed of Conveyance Taxes. Revenue in this category more than doubled from \$13 million in FY 2000 to \$27 million in FY 2004 as a result of tremendous activity associated with home sales and refinancings. During the first six months of FY 2004, Recordation revenues increased 21.2 percent and Deed of Conveyance revenues rose 32.2 percent over the same period in FY 2003. Receipts in these categories have grown due to the continued strong demand relative to the housing supply as well as rising median sales prices. Increased mortgage refinancing due to low mortgage rates has also boosted Recordation collections. As a result of higher than expected collections, the FY 2004 estimate for Recordation and Deed of Conveyance Taxes was increased \$10.7 million during the fall 2003 revenue review. The category was not increased above the FY 2003 Actual level, however, because recordation receipts began coming down in November and December compared to the same months in FY 2003, despite strong growth in the first four months of FY 2004. This trend is anticipated to continue in FY 2005 as interest rates start climbing upward and the available pool of refinancing opportunities dries up.

General Assembly action on the Governor's proposed budget and tax restructuring plan will also have an impact on the County budget. While my proposed budget does not anticipate additional revenue as a result of Governor Warner's plan, should the General Assembly choose not to supplement its budget with additional revenue, it will be necessary for them to make draconian cuts in state programs to address a projected \$1.2 billion shortfall. Aid to local governments and education will most certainly be affected. We will monitor developments during the General Assembly session and provide any necessary changes to the Board as part of the FY 2005 Add-On Process.

### ***Overview of FY 2005 Budget***

Details of the FY 2005 Advertised Budget Plan are included in this Overview volume as well as Volumes 1 and 2. The following pages include a Summary General Fund Statement and two pie charts that show the sources of revenue for the General Fund, as well as the distribution of disbursements. They are followed by a section of budget highlights.



# County Executive Summary

## Summary General Fund Statement (in millions of dollars)

	FY 2004 Revised Budget Plan	FY 2005 Advertised Budget Plan	Increase (Decrease) Over Revised	Percent Inc/(Dec) Over Revised
<b>Beginning Balance<sup>1</sup></b>	<b>\$118.89</b>	<b>\$52.35</b>	<b>(\$66.55)</b>	<b>-55.97%</b>
<b>Revenue<sup>2</sup></b>	\$2,571.77	\$2,740.65	\$168.88	6.57%
<b>Transfers In</b>	\$1.40	\$1.67	\$0.27	19.36%
<b>Total Available</b>	<b>\$2,692.06</b>	<b>\$2,794.66</b>	<b>\$102.60</b>	<b>3.81%</b>
<b>Direct Expenditures</b>	\$979.67	\$1,004.21	\$24.54	2.50%
<b>Transfers Out</b>				
School Transfer <sup>3</sup>	\$1,240.85	\$1,322.37	\$81.52	6.57%
School Debt Service	120.90	126.53	5.63	4.66%
<i>Subtotal Schools</i>	<i>\$1,361.75</i>	<i>\$1,448.90</i>	<i>\$87.16</i>	<i>6.40%</i>
Metro	\$12.27	\$18.14	\$5.87	47.85%
Community Services Board	80.60	82.89	2.29	2.85%
Capital Paydown	18.86	10.49	(8.37)	-44.40%
Information Technology	9.45	11.63	2.18	23.10%
County Debt Service	98.45	100.02	1.57	1.59%
Other Transfers	56.29	58.16	1.87	3.32%
<i>Subtotal County</i>	<i>\$275.92</i>	<i>\$281.33</i>	<i>\$5.41</i>	<i>1.96%</i>
<b>Total Transfers Out</b>	<b>\$1,637.67</b>	<b>\$1,730.24</b>	<b>\$92.57</b>	<b>5.65%</b>
<b>Total Disbursements</b>	<b>\$2,617.34</b>	<b>\$2,734.45</b>	<b>\$117.09</b>	<b>4.47%</b>
<b>Ending Balance</b>	<b>\$74.72</b>	<b>\$60.22</b>	<b>(\$14.50)</b>	<b>-19.41%</b>
Less:				
Managed Reserve	\$52.35	\$54.69	\$2.34	4.47%
PSOC/EOC Construction Funding at Third Quarter <sup>4</sup>	\$18.65		(\$18.65)	-
Third Quarter Requirements - Related to Hurricane Isabel, Premium Stabilization, Other <sup>5</sup>	\$3.72		(\$3.72)	-
Reserve for changing economic conditions <sup>6</sup>		\$5.53	\$5.53	-
<b>Total Available</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>-</b>

<sup>1</sup> The FY 2004 Revised Beginning Balance reflects audit adjustments for revenue and expenditures as included in the FY 2003 Comprehensive Annual Financial Report (CAFR). As a result, the FY 2004 Revised beginning balance reflects a net reduction in available balance of \$86,350, based on an increase of \$1,002,084 for expenditure requirements offset by an increase in revenues of \$915,734.

<sup>2</sup> FY 2004 Revised Budget Plan revenues reflect an increase of \$12,457,681 based on revised revenue estimates of November 2003. The FY 2004 Third Quarter Review will contain a detailed explanation of these changes.

<sup>3</sup> In accordance with the Board adopted guidelines for the FY 2005 Budget, the proposed County General Fund transfer for school operations in FY 2005 totals \$1,322,374,187, an increase of \$81,523,866 or 6.57% over the FY 2004 Revised Budget Plan transfer. It should be noted that the actual transfer request approved by the School Board on February 12, 2004 is \$1,361,212,802, an increase of \$120,362,481 or 9.7% over the FY 2004 transfer level. In order to fully fund this \$38,838,615 increase over the Budget Guidelines, additional resources would need to be considered by the Board of Supervisors.

<sup>4</sup> The FY 2004 Revised Budget Plan ending balance reflects reserve funding of \$18.65 million which includes the \$10 million set aside reserve identified at Carryover and \$8.7 million in additional funding based on the FY 2004 revised revenue estimates. This amount is held in reserve for anticipated FY 2004 Third Quarter Review disbursement requirements related to the construction of the Public Safety Operations/Emergency Operations Center. Further details will be included as part of the FY 2004 Third Quarter Review package.

<sup>5</sup> The FY 2004 Revised Budget Plan ending balance reflects available funding of \$3.72 million based on the available FY 2004 revised revenue estimate balance after PSOC/EOC requirements. This amount is held in reserve for anticipated FY 2004 Third Quarter Review disbursement requirements, including requirements related to Hurricane Isabel, anticipated premium stabilization requirements and other requirements. Further details will be included as part of the FY 2004 Third Quarter Review package.

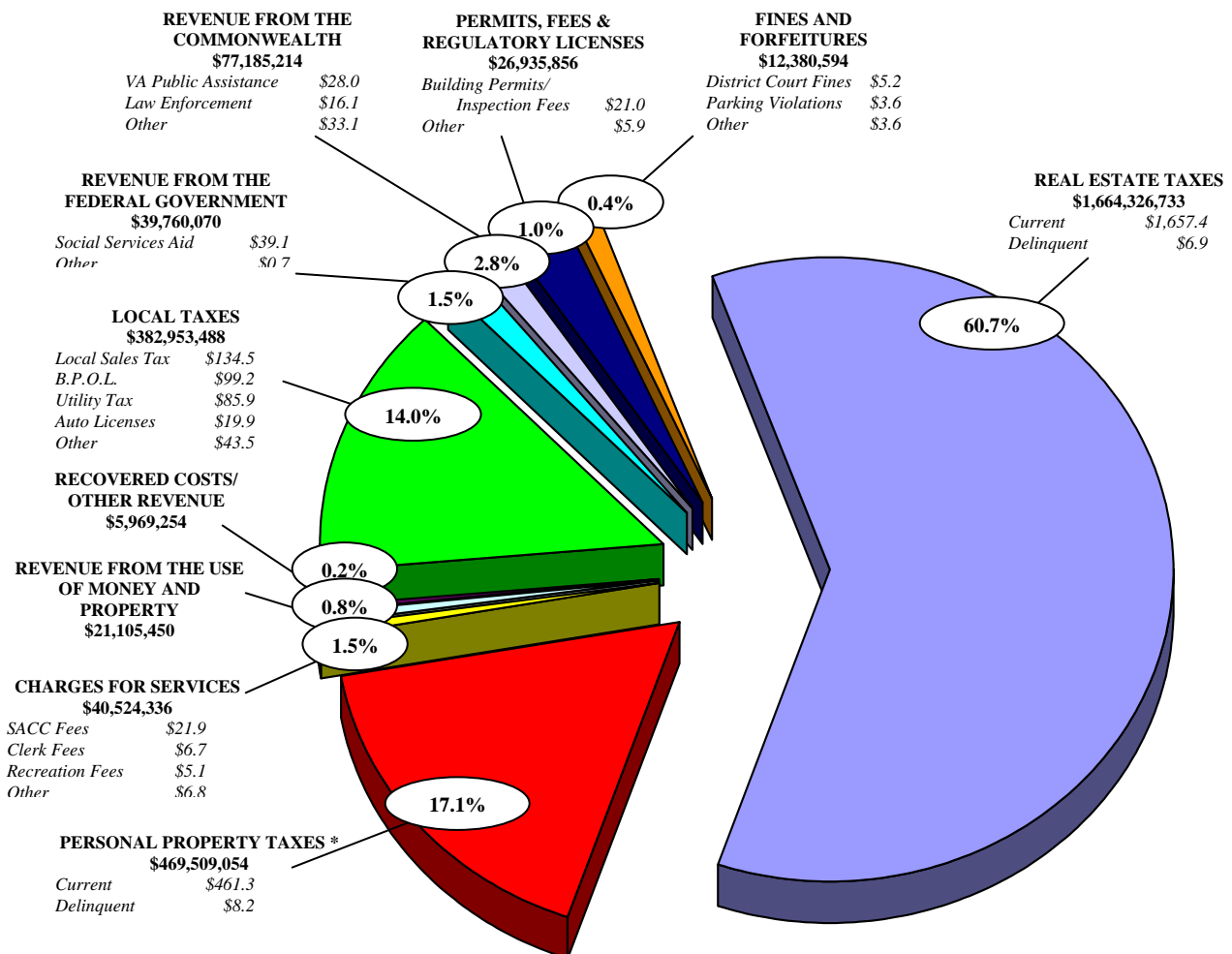
<sup>6</sup> The FY 2005 Advertised Budget Plan ending balance reflects available funding of \$5.53 million held in reserve to offset economic fluctuations and revenue adjustments.

# County Executive Summary

## FY 2005 BUDGET GENERAL FUND REVENUES

FY 2005 revenues are projected to be \$2,740,650,049, an increase of \$168,882,135 or 6.57 percent over the *FY 2004 Revised Budget Plan*. This level of revenue growth in FY 2005 is due entirely to an 11.36 percent increase in Real Estate Tax revenue. All other categories reflect a net decrease of approximately \$1.0 million from FY 2004. The FY 2005 real estate tax base is projected to grow 12.04 percent due to an increase in equalization of 9.54 percent and growth of 2.50 percent in new construction.

**\$2,740,650,049**



\* For presentation purposes, Personal Property Taxes of \$205,950,438 that are reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 are included in the Personal Property Taxes category.

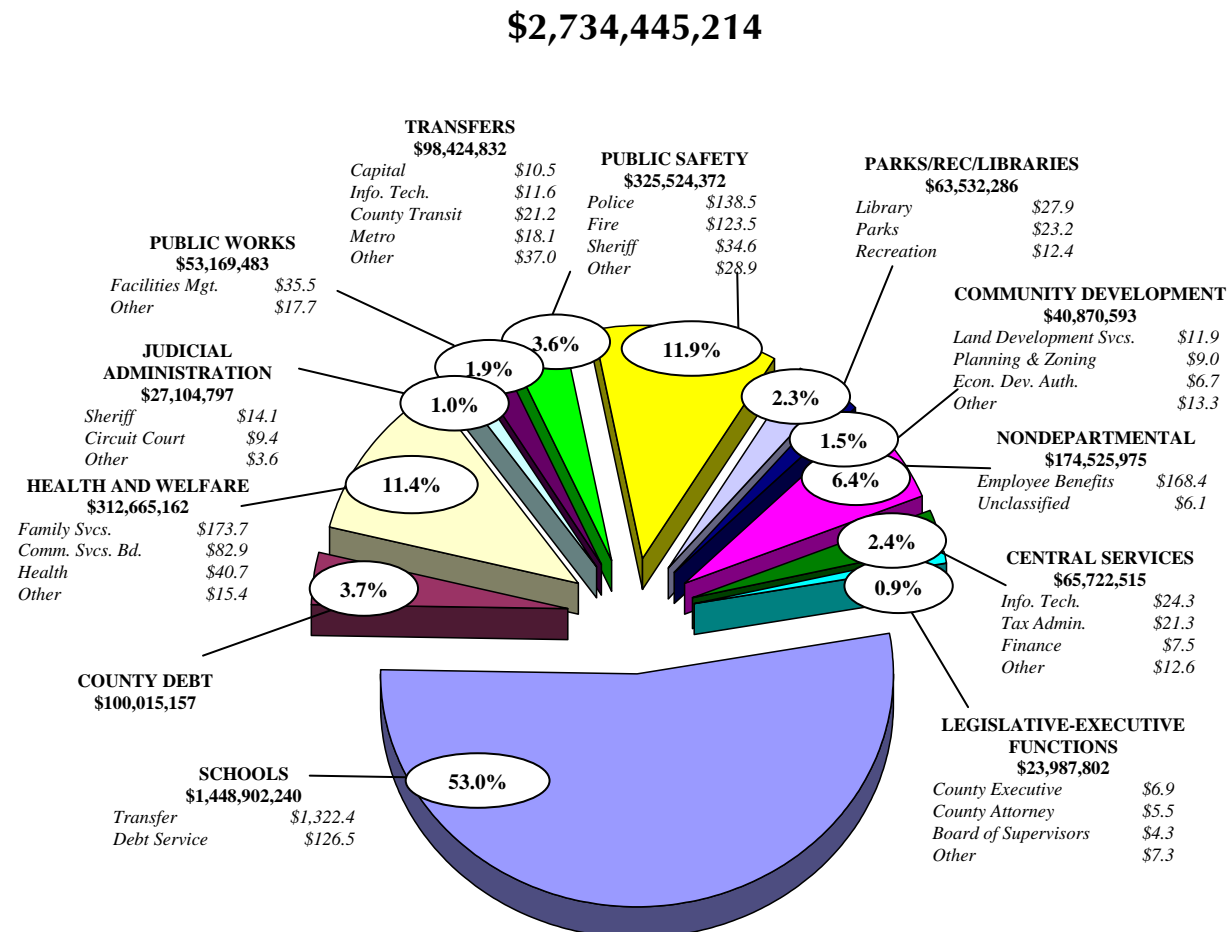
# County Executive Summary

## FY 2005 BUDGET GENERAL FUND DISBURSEMENTS

FY 2005 disbursements total \$2,734,445,214, an increase of \$117,104,974 or 4.47 percent over the *FY 2004 Revised Budget Plan* amount of \$2,617,340,240. Of this increase, \$87,155,186 or 74.4 percent is attributable to the County's transfer to the School Operating Fund and School Debt Service. The recommended transfer to the School Operating Fund is \$1,322,374,187, which is an increase of \$81,523,866 or 6.57 percent over FY 2004 and is in conformance with the Budget Guidelines approved by the Board of Supervisors. In addition, the County's contribution to School Debt Service for FY 2005 is \$126,528,053, reflecting an increase of \$5,631,320 or 4.66 percent over the FY 2004 level.

The actual transfer request approved by the School Board on February 12, 2004 is \$1,361,212,802 and reflects an increase of \$120,362,481 or 9.7 percent over the FY 2005 transfer level. In order to fully fund this \$38,838,615 increase over the Budget Guidelines, the Board of Supervisors would have to identify additional resources.

Recommended General Fund Direct Expenditures total \$1,004,209,088 and reflect an increase of \$24,537,545 or 2.50 percent over the *FY 2004 Revised Budget Plan*. A summary of the major recommendations included in the FY 2005 Advertised Budget Plan is presented on the following pages. Details concerning each of these items can be found in the various budget volumes.



# County Executive Summary

## **BUDGET HIGHLIGHTS**

### **COUNTY SUPPORT FOR FAIRFAX COUNTY PUBLIC SCHOOLS**

For FY 2005, Fairfax County is providing 53 percent of its total General Fund budget to Fairfax County Public Schools (FCPS). This share is consistent with the FY 2004 Adopted Budget Plan which represents the highest level in over 20 years. The County provides funding through two transfers – one to support FCPS operations and another to support debt service for bond-funded projects to build new schools and renew older facilities.

#### **SCHOOL TRANSFERS**

**School Operating: \$1,322.37 million**  
**School Debt Service: \$126.53 million**

- In conformance with the Budget Guidelines, a transfer of \$1,322,374,187 to the School Operating Fund is included, which represents an increase of \$81,523,866 or 6.57 percent.
- On February 12, 2004, the School Board approved a transfer request of \$1,361,212,802, which reflects an increase of \$120,362,481 or 9.7 percent over the FY 2004 transfer amount. This request is \$38.8 million more than the Budget Guidelines.
- The FY 2005 transfer for School Debt Service is \$126,528,053, an increase of \$5,631,320 or 4.66 percent over the *FY 2004 Revised Budget Plan*. The FY 2005 debt service level is based on funding of \$130 million for new school construction as well as renewals.
- The combined transfer for School operating and School debt service is \$1.45 billion, which represents 53.0 percent of total County disbursements.

#### **Other County Support for FCPS**

**\$49.0 million**

In addition to the \$1.45 billion in the County transfers to FCPS for operations and debt service, Fairfax County provides additional support totaling \$49 million for the following programs:

- \$26.8 million for the Comprehensive Services Act (CSA), Head Start, and School Age Child Care (SACC) programs within the Department of Family Services;
- \$10.3 million to support School Health including Public School Nurses and Clinic Room Aides;
- \$6.9 million for School Crossing Guards; Resource Officers who are now assigned to all FCPS high schools, middle schools and alternative schools; and security for activities such as proms and football games;
- \$3.4 million for athletic field maintenance and other recreation programs;
- \$1.5 million in services provided by the Fairfax-Falls Church Community Services Board; and
- \$0.1 million for fire safety education programs for students.

More detailed information regarding this additional support for FCPS may be found in the Financial, Statistical and Summary Tables section of this Overview Volume of the FY 2005 Advertised Budget Plan.

# County Executive Summary

## SUPPORT FOR PUBLIC SAFETY

### **Fairfax Center Fire Station**

**\$1.70 million**

To address increasing public safety needs associated with a growing population, additional funding in the amount of \$1,703,310 and 23/23.0 SYE positions are included for the new Fairfax Center Fire Station scheduled to open in Spring 2005. This station will provide additional capacity to help reduce response time to the central part of the County. A phase-in of staff resources began in FY 2004 with 15/15.0 SYE positions used primarily to staff a ladder truck at Station 27, West Springfield, enabling the Fire and Rescue Department to address the need for this type of unit in this area of the County in advance of the availability of the new station. Apparatus funding was also included as part of the FY 2004 budget to initiate procurement of necessary vehicles and equipment for the station based on the long lead-time for delivery.

The additional positions in FY 2005 as well as those funded during FY 2004 will bring the full complement of staff for Fairfax Center to 34/34.0 SYE uniformed and 3/3.0 SYE civilian support positions. The number of uniformed staff is consistent with other fire stations with a tower truck, engine and advanced life support (ALS) unit. In addition, a new Deputy Chief for Special Operations (1/1.0 SYE) will provide support and oversight of response to hazardous materials incidents, water rescues, major vehicle accidents, cave-ins, weather emergencies and terrorism threats. These duties are currently handled by the EMS Deputy Chief; however, with the increase of EMS incidents and the added supervisory responsibility resulting from new stations coming on-line, the EMS Deputy position must be focused full-time on the management and leadership of Emergency Medical Services. FY 2005 funding associated with these requirements includes \$1.38 million in Personnel Services and Fringe Benefits, as well as \$0.32 million in Operating Expenses and Capital Equipment associated with start-up equipment and supplies for the new station.

### **Public Safety Communications Center Operation (General Fund Transfer Increase)**

**\$4.30 million**

A crucial link in Fairfax County's public safety system is the Public Safety Communications Center (PSCC), which provides call-taking and dispatch for police, fire, rescue and animal control units. This operation is funded through a combination of E-911 fees, state reimbursement from the statewide wireless E-911 fee, interest income and a transfer from the General Fund. In FY 2005, the General Fund transfer to Fund 120, E-911 Fund, is \$9.8 million, an increase of \$4.3 million over the FY 2004 transfer level. Of this increase, \$3.0 million is associated with increased operational requirements including staff and compensation adjustments which are necessary to provide improved call-taking and dispatch performance. The remaining increase is attributable to declining revenues from E-911 fees.

More than 1.17 million calls are received by the PSCC annually. During FY 2003, call statistics indicate that while the average speed to answer an emergency call is 6 seconds, the PSCC is only able to answer 75 percent of calls within 12 seconds and the remaining 25 percent of calls are subject to much longer wait times. Staff has been working to identify staffing, organizational and compensation options to address this issue. FY 2005 represents the first of a multi-year plan to increase positions to meet current emergency and non-emergency call volumes. Fourteen (14/14.0 SYE) new Public Safety Communicator positions will add capacity to promptly answer calls that are currently left unanswered or are being answered after an unreasonable wait. In addition, 2/2.0 SYE additional Administrative Assistant I positions will provide staffing to answer approximately 55,000 calls received regarding towed vehicles as required by the Commonwealth. Currently, Public Safety Communicators answer these

## County Executive Summary

routine calls. By shifting this responsibility to the Administrative Assistants I, existing Public Safety Communicators will be allowed to focus more on emergency and non-emergency call-taking and dispatching. The FY 2005 cost associated with these positions is \$635,189 in Personnel Services, Fringe Benefits and Operating Expenses.

In concert with the additional positions, funding of \$1.0 million has been identified to address compensation adjustments that are necessary to resolve recruitment and retention issues at the PSCC. Given the volume of calls, the overtime required to manage this volume and the complexity of the call-taking/dispatch function, the PSCC has not been able to retain qualified staff. In the last four years, 113 Public Safety Communicators (of 107 positions) have been separated for various reasons including failed training, transfers within Fairfax County Police and Fire and Rescue Departments, other employment, or relocation from the area. During the first quarter of CY 2004, organizational and compensation issues around the management and staffing of the PSCC will be studied, with a report and recommendations anticipated in late spring. This funding represents a placeholder for adjustments associated with the report recommendations. A detailed proposal with cost estimates will be provided to the Board of Supervisors prior to deliberations on the FY 2005 Advertised Budget Plan.

### **Uniformed Fire and Rescue Salary Adjustments**

**\$1.77 million**

FY 2005 funding of \$1,768,703 is included for a regrade of the Fire Technician, Master Technician and Lieutenant classes in the Fire and Rescue Department to provide for market competitiveness of these positions. Each year, the Department of Human Resources conducts a market pay study to compare specific core and supplemental position classes to the local and regional employment market. In addition, the range of public safety position classes is reviewed. This proposed increase is based on a review of these public safety classes in comparison to those in surrounding jurisdictions. Only three public safety position classes had hourly rate midpoints 5 percent or more below the market average, which is the threshold used in making pay recommendations. The \$1.77 million cost of this adjustment includes adjustments to Personnel Services and Fringe Benefits, and will impact more than 700 positions.

### **Funding for Mosquito Management Program**

**No increase**

West Nile virus, transmitted from infected mosquitoes to humans continues as a public health concern. A coordinated, multi-agency mosquito management program is now in place. It includes the treatment of ponds and standing water to prevent proliferation of the mosquito population in order to reduce the public health impact of the virus. The program also focuses on education, public awareness and community involvement to proactively address the problem. During the 2003 General Assembly session, Fairfax County was granted the authority to fund a Disease-Carrying Insects Program from Fund 116, Integrated Pest Management Program. Funding for this program is derived from a tax of \$0.001 per \$100 assessed value. In FY 2005, a major portion of funding for the West Nile program is provided through Fund 116, with \$0.5 million in existing funding transferred from the Health Department to Fund 116 to supplement the \$1.0 million previously budgeted in that fund, requiring no new funding.

# County Executive Summary

## NEW FACILITIES

### **James Lee Community Center Expansion**

**\$0.49 million**

The James Lee Center has been undergoing an expansion and is scheduled to re-open in April 2004. It will be expanded from approximately 34,400 square feet to approximately 57,400 square feet and will offer an increase in social and recreational program opportunities for school-age children as well as adults and senior citizens. This will accommodate an increase in participants from 80,000 to 89,000 in the community, teen and senior programs. Expanded areas for the public include a recreational complex with two gymnasiums (open 11 hours daily), full-service teen programs (after school and Saturday evenings), as well as after-school and summer day programs for children. Also included are senior programs, daily craft classes, a fitness center (open nine hours daily), improved athletic fields, a full-size community theater, and computer clubhouse. FASTRAN will provide transportation for 30 additional seniors participating in the Congregate Meals Program. FY 2005 funding includes an increase of \$396,302 in Personnel Services and \$75,606 for Fringe Benefits, as well as \$64,038 in Operating Expenses associated with full-year salary requirements for 6 positions created in FY 2004 to support the expansion of the James Lee Community Center, as well as FASTRAN service to and from the site. These costs are partially offset by revenue of \$47,300 for a net cost of \$488,646.

### **School Age Child Care (SACC) Centers**

**\$0.38 million**

To accommodate the ever-growing demand for quality child care, additional funding of \$378,776 is included to open two new School-Age Child Care (SACC) Centers at Navy Elementary and Sunrise Valley Elementary based on new space availability. Funding includes \$239,098 for Personnel Services and Fringe Benefits to support an additional 6/4.86 SYE positions as well as \$139,678 in Operating Expenses associated with operational requirements. Although two rooms are available at each of these sites for SACC, only one room is funded at each school due to budget constraints, consistent with the approach for FY 2004. These two new centers will serve an additional 70 children, including 60 regular slots and 10 special needs slots. With anticipated revenue of \$284,082, the net cost to the County is \$94,694.

### **Herndon Harbor House Senior Center**

**\$0.19 million**

This Senior Center Program, located in the Herndon Harbor House is scheduled to open in January 2005. It will provide County residents aged 55 and older opportunities for recreation participation, skill development, leisure enrichment, a variety of structured leisure activities, community services, and outreach programs. FY 2005 funding of \$192,223 includes \$116,823 in Personnel Services and Fringe Benefits, as well as \$75,400 in Operating Expenses to support six months of start-up costs for 1/1.0 SYE Recreation Specialist III, 2/2.0 SYE Recreation Assistants, 1/1.0 SYE Saturday Program Director, and 1/1.0 SYE Recreation Leader I, as well as six months of program operations and one-time expenditures. It is estimated that approximately 500 seniors will be registered to use the center when it opens next January.

### **Cub Run RECenter**

**No General Fund Impact**

To enhance recreational opportunities in the western part of the County, the Cub Run RECenter, scheduled to open in July 2004, will be over 65,000 square feet and will include a 25-meter by 25-yard competitive swimming pool, a leisure pool, whirlpool/spa, weight training and fitness areas, multi-

## County Executive Summary

purpose rooms, and administrative and support service areas. It is important to note that this facility is budgeted for and operated out of Fund 170, Park Revenue Fund, and not the General Fund. Total funding of \$1,429,159 includes \$977,981 in Personnel Services and Fringe Benefits, as well as \$451,178 in Operating Expenses associated with full-year salary requirements for 15/15.0 SYE positions to support the opening of the Cub Run RECenter. These increases are projected to be offset by revenue from RECenter users. Positions will be phased in over FY 2004 and FY 2005 to ensure that the RECenter is fully operational once construction is complete. The new facility will house a 10,000-square-foot fitness center that will include a full array of Fitlinxx exercise equipment. Fitlinxx is a line of products that records participants' fitness information and tracks individual progress. Based on the popularity of the Fitlinxx equipment at existing RECenters, it is anticipated that Fitlinxx users at Cub Run alone will exceed 1,500. As a result, the Cub Run fitness center will require a minimum of two fitness staff (1/1.0 SYE approved in FY 2004 and 1/1.0 SYE included in FY 2005) to serve customers effectively and safely.

### **Laurel Hill Golf Course**

### **No General Fund Impact**

The Laurel Hill Golf Course, scheduled to open in May 2005, will provide golf opportunities in the southern portion of the County. Like the Cub Run RECenter, this facility is budgeted for and operated out of Fund 170, Park Revenue Fund, and not the General Fund. Positions will be phased in over FY 2004 and FY 2005 to ensure that the course is fully operational once construction is complete. In FY 2005, the additional positions, including 1/1.0 SYE Park Specialist II, 2/2.0 SYE Assistant Park Specialists, 2/2.0 SYE Laborers II, 1/1.0 SYE Laborer I and 1/1.0 SYE Motor Equipment Operator, will prepare the course and clubhouse for opening, develop plans for operations, and prepare and implement a marketing/promotions plan. In addition, these positions will hire and train seasonal staff, as well as procure necessary operating equipment and supplies. It should be noted that 7/7.0 SYE positions are anticipated to be established during FY 2004 to oversee the grow-in of the golf course turf, as well as day-to-day operations required until the facility is open to the public. Total FY 2005 funding of \$452,621 includes an increase of \$228,121 in Personnel Services and Fringe Benefits, as well as \$224,500 in Operating Expenses associated with salary requirements for 7/7.0 SYE additional positions to support the opening of the Laurel Hill Golf Course. These increases are partially offset by anticipated revenues of \$287,583.

## **SUPPORT FOR THE COMMUNITY**

### **Consolidated Community Funding Process**

### **\$9.01 million**

FY 2005 will be the first year of a new two-year funding cycle for the process of setting priorities and awarding funds from both the Consolidated Community Funding Pool and the Community Development Block Grant. In FY 2005, \$9.01 million will be available for the Consolidated Community Funding process, of which approximately \$6.78 million will be in Fund 118, Consolidated Community Funding Pool, and \$2.23 million will be in Fund 142, Community Development Block Grant. This funding is approximately \$0.31 million more than the FY 2004 level of approximately \$8.7 million in order to provide a five percent inflationary increase for community-based agencies. The FY 2005 funding is provided to leverage additional funds through strategies such as cash-match from other non-County sources, in-kind services from volunteers, or contributions from businesses, the faith community and other sources.



## County Executive Summary

### **Special Education Graduates**

**\$0.05 million**

As directed by the Board of Supervisors, a group consisting of the Human Services Council, the County Executive and the Fairfax-Falls Church Community Services Board (CSB) completed a review of day support for the County Special Education Graduates program. The study included a review of the services and service levels provided; number of persons currently receiving services; number of students projected to require services; facility and transportation requirements; parental and individual participation in offsetting service costs; and benchmarking information on services provided by other jurisdictions. In addition, as part of the FY 2005 Budget Guidelines approved by the Board of Supervisors on April 28, 2003, staff was directed to explore options to enhance the sliding scale fee to reduce the County's share of the costs of supporting the graduates of special education programs. As a result of the study, two significant policy changes are recommended. First, since individuals are able to be served in the Fairfax County Public Schools Special Education Program until they are 22-years-old, only those who are 22 years and older were considered for local funding. This reduced the number of new graduates eligible and prioritized for local funding in FY 2005 by 15, from 63 to 48. Secondly, the CSB prioritized graduates based on their degree of need. Of the remaining 48 graduates for example, 17 were identified as having the most profound level of mental retardation and medical and/or physical challenges, and are recommended for local funding. The total cost for serving these 17 graduates in FY 2005 is projected to be \$499,800. Revenue of \$445,457 may be available if the state assigns new Medicaid Waiver slots and funding to the CSB. As a result, County funding of \$54,343 has been included in the FY 2005 Advertised Budget Plan. Should the anticipated Waiver slots not be awarded, additional County funding will be necessary to support the FY 2005 graduates.

Other changes being implemented include the acceleration of timelines for transitioning students from secondary school to adult day support service, which will enable CSB to present more timely and accurate cost estimates. The CSB is also considering changes to its fee policy to include fee assessment for day services, and continues to maximize non-County funding for school graduates, such as Medicaid funding, Department of Rehabilitative Services funding, and federal work incentives and entitlements. Due to significant efforts to maximize non-County revenues, and lower than projected expenditures, the CSB's ending fund balance is projected to be \$3,431,965 in FY 2004. A portion of this fund balance has been utilized to offset expenditures in FY 2005.

### **Congregate Meal Program/FASTRAN**

**\$0.13 million**

To support the growing senior population, an increase of \$128,076 in Operating Expenses provides FASTRAN services for 50 additional seniors participating in the Congregate Meals Program at the new James Lee and Lorton Senior Centers. This expenditure increase represents full-year funding and is partially offset by an increase of \$6,500 in program donations.

### **Teen Center Redesign Initiative**

**\$0.14 million**

In FY 2004, the Board of Supervisors approved the redesign of teen center operations to support a regional model. The redesign will move from nine centers (one center in each magisterial district) to a regional model comprised of five regional centers, ten neighborhood centers and ten community-based programs to provide greater flexibility in meeting the needs of teens and the community, eliminate barriers between magisterial districts, and reduce staff vacancies. FY 2005 funding provides for the creation of the fifth and final region, to be located within a leased facility in the Springfield area. To accommodate its scheduled opening in July 2004, FY 2005 funding of \$139,788 includes \$96,974 in Personnel Services and Fringe Benefits, as well as \$42,814 in Operating Expenses for 1/1.0 SYE Recreation Specialist III, 2/2.0 SYE Recreation Specialists I, and limited term staff. This funding supports the second year of a three-year phased approach to the teen center redesign throughout the County.

# County Executive Summary

## SUPPORT FOR TRANSPORTATION

### **Metro Operations (General Fund Transfer)**

**\$18.14 million**

The total FY 2005 Fairfax County obligation for Metrorail and Metrobus requirements totals \$53.8 million for operating expenditures, of which \$18.1 million in a General Fund transfer is required, reflecting an increase of \$5.9 million or 47.9 percent over the FY 2004 transfer amount of \$12.3 million.

The increase in the General Fund support is primarily due to the use of one-time balances in FY 2004. The \$53.8 million supports existing Metrorail and Metrobus service and includes a 4.5 percent inflation factor applied to the Washington Metropolitan Area Transit Authority (WMATA) FY 2004 budget, as well as addresses increased subsidy requirements associated with the 50 percent phase-in of the 2000 Census population data into the allocation formulas, increased costs for MetroAccess due to increased utilization of Americans with Disabilities (ADA) paratransit services, continuation of the Springfield Circulator Bus Service started in FY 2001, and other enhancements initiated by WMATA in FY 2004.

The County's portion of the total WMATA budget is determined by several formulas that include factors such as the residence of passengers, number of stations located in a jurisdiction and the level of service in a jurisdiction, as well as the population and population density. Applied State Aid, Gas Tax Receipts and State Transportation Bond Revenues help offset the County's share of WMATA's operating and capital costs.

An amount of \$29.3 million is required for capital requirements, of which \$19.8 million is supported by Fairfax County General Obligation Bonds. FY 2005 capital expenditures include \$13.7 million for the Infrastructure Renewal Program (IRP), a program which includes the rehabilitation of the railcar fleet, upgrades to Metrorail system components such as fare gates and farecard machines, improvements to Metrobus and Metrorail facilities, and funding for all capital equipment. It is anticipated that this amount will continue to increase in future years. The System Access Program (SAP) requires \$12.0 million, primarily to fund Fairfax County's share of the purchase cost of new railcars and buses. An additional \$0.4 million is included to support preliminary engineering requirements associated with the System Expansion Program (SEP) and \$3.2 million is included to fund Adopted Regional System (ARS) debt service requirements. Since the WMATA budget will not be final until June 2004, any necessary adjustments to the FY 2005 funding level will be made at the *FY 2004 Carryover Review*.

### **County Transit (General Fund Transfer)**

**\$21.21 million**

In FY 2005, the County's General Fund Transfer to County Transit Systems is \$21.21 million, an increase of \$1.56 million or 8.0 percent over the FY 2004 funding level of \$19.65 million. This increase includes contractual requirements for the FAIRFAX CONNECTOR and Virginia Railway Express. In addition, fuel funding requirements are increasing due primarily to increased costs associated with FAIRFAX CONNECTOR's continuing transition to Ultra-Low Sulfur Diesel fuel begun in FY 2002.

In FY 2005, the Fairfax County Department of Transportation (FCDOT) plans to enhance FAIRFAX CONNECTOR service in both the Huntington and Reston-Herndon Divisions by implementing a service redesign. In the Huntington Division, this redesign would provide an additional 40,000 hours of service; increase service to growth areas of South County including Kingstowne, Lorton, Laurel Hill and the greater Springfield area; reduce travel times; increase mobility options through more transfer opportunities; expand operating hours; enhance service frequencies; provide more bi-directional

## County Executive Summary

routes; and expand weekend service levels. In the Reston-Herndon Division, enhancements would increase service by 13,005 hours, both in peak hours and at mid-day, with primary emphasis on routes serving existing park-and-ride facilities. The plan developed by FCDOT leverages \$2,154,081 of various recurring funding to support the service enhancements for both Reston-Herndon and Huntington. This includes \$757,450 in additional state funding for the existing Dulles Express bus initiative, \$500,000 in bus advertising and \$896,631 in farebox revenue, rather than requiring General Fund support to meet these enhancements. To generate additional farebox revenue, it is proposed that the fare discount on FAIRFAX CONNECTOR be eliminated, bringing the cash fare to \$1.00, an increase of 25 cents over the FY 2004 cash fare of \$0.75. FCDOT is also proposing an increase in the minimum fare for a Metrorail-to-bus transfer from \$0.25 to \$0.50.

### COST OF DOING BUSINESS

#### Employee Compensation

##### **Non-Public Safety Adjustments**

**\$9.40 million**

Since FY 2001, pay increases for over 8,000 non-public safety employees have been based on Pay for Performance. Consistent with the County's ongoing assessment of its compensation philosophy and policy, staff undertook a review of the Pay for Performance system during FY 2004. As part of this analysis, other jurisdictions with Pay for Performance systems were surveyed for best practices. Based on this review, two changes to the system are recommended for FY 2005, both of which will better align the Pay for Performance system with the County's goals and competitive marketplace practices. The first is a recalibration of the points required to receive various pay awards and the second is the establishment of a range from 0 percent to 6 percent (0.0, 1.7, 2.1, 2.6, 3.0, 3.4, 3.9, 4.3, 4.7, 5.1, 5.6 and 6.0). This replaces the original 0 to 7 percent range (discounted by 25 percent in FY 2004), maintaining the integrity of the Pay for Performance system by allowing for meaningful differentiation based on performance, while tightening the requirements for the higher level pay awards to more closely track with pay increases in the marketplace.

Additionally, two departments were selected as pilots for a more comprehensive review of performance elements to increase clarity and strengthen the link between pay and performance. The lessons learned will be shared with the remaining departments to further enhance the overall program. Efforts will continue to update employee performance elements and assure their linkage to departmental strategic plans and performance measures. Countywide training for employees and managers will continue to be a priority, as will the expansion of options for multi-rater feedback as part of the performance management process. For FY 2005, funding of \$7.6 million is included for General Fund agencies in addition to \$1.8 million for General Fund-supported agencies for a total of \$9.4 million for Pay for Performance.

In order to ensure that pay scales remain competitive with the market, non-public safety pay scales are increased in accordance with the annual market index, which is calculated based on data from the Consumer Price Index; the Employment Cost Index, which includes private sector, state and local government salaries; and the Federal Wage adjustment. This is designed to keep County pay scales from falling below the marketplace, requiring a large-scale catch-up every few years. In FY 2005, the non-public safety pay scales will be adjusted 2.98 percent based on the current market index. However, it is important to note that employees do not receive this adjustment as they did in the past through a cost-of-living increase. Pay increases can only be earned through performance. By adjusting the pay scales, however, employees' long-term earning potential remains competitive with the market.

## County Executive Summary

### **Uniformed Public Safety Adjustments**

**\$11.34 million**

Since uniformed public safety employees do not participate in the Pay for Performance program, their increases are based on the market rate adjustment and step increments. For FY 2005, funding of \$2.22 million has been included for those eligible to receive public safety merit increments. In addition, \$9.12 million is included to provide a 2.98 percent market rate adjustment for approximately 3,000 uniformed public safety employees.

### **Market Study Results**

**\$0**

Each year, Fairfax County undertakes a market study to address issues of employee recruitment and retention, as well as ensure pay competitiveness. Certain job classes are benchmarked against comparable positions in both the public and private sectors. This year, 51 core benchmark classes were studied (based on the occurrence of matching job classes in the Metro area and the availability of sufficient market data in the recruitment area), as well as 29 supplemental classes, which were reviewed as requested by agency directors. Based on the study findings, only 3 of the classes benchmarked were found to be 5 percent or more below the market average, requiring an adjustment. These classes include: Retirement Counselor, Consumer Specialist I and Transit Service Monitor. In accordance with the current Personnel Regulations, individuals on the "S" pay plan move to the new pay grade but remain at their current pay rate unless their pay falls below the minimum of the new pay grade. Since that is not the case for these three classes, no funding adjustment is required for FY 2005.

### **Benefits**

#### **Health Insurance Cost Increase**

**\$7.77 million**

Fairfax County continues to experience the same double-digit health insurance cost increases seen nationwide. For FY 2005, health insurance premiums total \$53,430,651, an increase of \$7,770,482 or 17.0 percent over the *FY 2004 Revised Budget Plan*. This is based on projected premium increases of 21 percent for Health Maintenance Organizations (HMOs) and 25 percent for the self insurance plan for Calendar Year 2005. In contrast to the slow medical care cost growth in the early to mid-1990s, spending in recent years for health care has steadily increased. Key drivers of this growth include increased utilization and the skyrocketing cost of prescription drugs. The County has employed strategies to contain health care costs such as increasing deductibles and out-of-pocket limits, as well as added incentives for generic drugs. However, this cost increase trend is anticipated to continue into FY 2006 and beyond.

#### **Retiree Health Benefits**

**\$0.22 million**

Monthly subsidy payments to eligible County retirees to help pay for health insurance are provided in Fund 500, Retiree Health Benefits. Beginning in FY 2004, payments were adjusted to reflect changes to the subsidy structure, which includes a change from the flat per month subsidy to a graduated subsidy based on age and length of service. No changes are recommended in the payment levels; however, the average number of subsidy recipients, including new retirees, who are eligible to receive the subsidy, is expected to increase by 149 or 7.8 percent, from 1,909 in FY 2004 to 2,058 in FY 2005. Estimates of the average number of subsidy recipients are based on a review of the projected number of retirements as well as the health subsidy eligibility of personnel already retired from the Fairfax County Employees, Uniformed, and Police Officers Retirement Systems. In FY 2005, the General Fund transfer of \$3,308,246 reflects an increase of \$219,502 or 7.1 percent over the *FY 2004 Revised Budget Plan* level of \$3,088,744.

## County Executive Summary

### Retirement Systems

**\$12.82 million**

For FY 2005, the County's employer contributions to the retirement systems total \$67,118,042, an increase of \$12,818,194 or 23.6 percent over the *FY 2004 Revised Budget Plan*. This increase is primarily due to the impact of increases in the Employer Contribution rates and salary adjustments necessary to support the County's compensation program, including pay for performance/merit increments, Market Index adjustments for employees on the public safety pay scales, and the regrade of specific Fire and Rescue job classes to provide for market competitiveness for a total increase of \$4.62 million. An increase of \$0.3 million in the employer contribution for the Police Officers' System is required to fund the Deferred Retirement Option Program (DROP) benefit enhancement, while an increase of \$2.8 million in the employer contribution for the Uniformed System is required to fund approved benefit enhancements including DROP as well as the 12 percent benefit enhancement for Uniformed Retirees. In addition, the employer contribution for the Employees System is required to increase by \$5.1 million to amortize the liability associated with the funding ratio falling below the pre-defined 90 percent threshold due to lower investment returns. In March 2002, the Board of Supervisors adopted a corridor approach to employer contributions, which enhances stability and ensures adequate funding for the retirement systems. In the corridor approach, a fixed contribution rate is assigned to each system, with the County funding contributions at that rate unless the system's funding ratio falls outside of a pre-determined corridor (90-120 percent). Once outside the corridor, the County rate is either increased or decreased to accelerate or decelerate the funding until the ratio falls back within the corridor.

### Technology

#### Information Technology Initiatives (General Fund Transfer)

**\$11.63 million**

In FY 2005, funding of \$11.81 million, which includes a General Fund transfer of \$11.63 million and interest income of \$0.18 million, is included for initiatives that meet one or more priorities established by the Senior Information Technology Steering Committee. This reflects an increase of \$2.18 million or 23.1 percent over the *FY 2004 Revised Budget Plan* General Fund transfer of \$9.45 million. These initiatives include a mix of projects that provide benefits for both citizens and employees, and that adequately balance continuing initiatives with the need for maintaining and strengthening the County's technology infrastructure. Funded projects will support initiatives in the Human Services, Planning and Development, General County Services and Public Safety program areas. Although many initiatives meet more than one of the technology priorities, for narrative purposes below, projects have been grouped into only one priority area.

Priority	FY 2005 Advertised Funding
Mandated Requirements	\$0.3 million
Completion of Prior Investments	\$2.0 million
Enhanced County Security	\$1.3 million
Improved Service and Efficiency	\$5.5 million
Maintaining a Current and Supportable Technology Infrastructure	<u>\$2.7 million</u>
<b>TOTAL</b>	<b>\$11.8 million</b>

## County Executive Summary

### **Radio Center**

**\$0.48 million**

In FY 2002, based on a consultant study recommendation, work began on the design, installation and implementation of a new radio system to replace the current 1980s-era system in use for non-public safety agencies (Public Works, Park Authority, Fairfax County Public Schools transportation, Fairfax County Water Authority, FASTRAN, etc). The existing 20-year-old Public Service Communications System was based on a design that requires users to manually select the correct radio channel based on their location within the County, provides geographical coverage for only approximately 60 percent of the County, and has limited call processing capacity which frequently results in unavailability for users. The current network structure leaves large, heavily populated areas of the County without radio coverage and does not provide for future growth or for advanced features, such as mobile data communications. The new system has been designed to provide seamless coverage to more than 90 percent of the County, as well as provide ample reserve capacity for peak use periods and future fleet expansion. In addition, the completed system will be fully compatible with the mobile and portable radios used by the County's public safety radio system. This will allow for direct communication between public safety and public service users for incident or disaster management, as well as provide a separate back-up system for the Public Safety system should that system fail. The system will also enable the County to continue a high level of interoperability with neighboring jurisdictions.

The redesign of the system requires the lease/purchase of additional tower transmitter sites, the installation of network infrastructure and the purchase of new mobile and portable radios. Based on these requirements, the Radio Center operations will be modified in FY 2005 to utilize private sector equipment maintenance support in order to address expanded technical requirements and achieve improved efficiencies. In addition, new requirements such as site leases, telecommunication costs, interoperability coordination, inspection and evaluation of in-building radio coverage for new construction, and network operation and maintenance will be addressed through a restructuring of staffing and operating activities. The redesign of the Radio Center in FY 2005 requires funding of \$480,760 and the net abolishment of 7/7.0 SYE positions. As a result of eliminating existing activities, including administrative services and the installation/modification/repair of radios, which will be contracted out, 9/9.0 SYE positions will be abolished, with funding reductions of \$363,061 in Personnel Services and \$202,537 in Operating Expenses. To support new functions required at the redesigned Radio Center, the following positions will be established: 1/1.0 SYE Network/Telecom Analyst III and 1/1.0 SYE Network/Telecom Analyst I including \$172,562 in Personnel Services and \$873,796 in Operating Expenses, for a net reduction of 7/7.0 SYE positions and increased funding of \$480,760. It should be noted that of the total Radio Center expenditures, approximately half will be recovered from user entities, with the remaining network and maintenance costs borne by the General Fund.

### **Contract Increases**

#### **Child Care Assistance and Referral Program Market Rate Increase**

**\$1.36 million**

The demand for child care services continues to grow as a result of high labor force participation in Fairfax County. In addition, many low- and moderate-income working parents in the County are unable to afford child care due to the high cost of living. To address this need, Fairfax County leverages resources with federal and state funding in order to provide child care subsidies to these eligible families. An increase of \$1,364,407 in Operating Expenses is included to support a higher state-mandated market rate for child care providers, which is estimated to reflect an increase of 5.5 percent for the providers of subsidized child care services under the Child Care Assistance and Referral (CCAR) Program. The state mandates market rates in order to ensure an adequate supply of licensed providers. It should be noted that the market rate increase will be phased in over the first quarter of FY 2005.

## County Executive Summary

Therefore, this funding represents nine months of funding and is partially offset by an increase of \$682,203 in federal/state pass-through funding due to the associated 50 percent revenue match for the purchase of child care services, for a net cost to the County of \$682,204.

### **Comprehensive Services Act – Contract Rate Increase**

**\$1.10 million**

The federally mandated Comprehensive Services Act (CSA) requires Fairfax County to serve families needing intervention and treatment for children and youth determined to be at risk for a variety of behaviors and conditions. These services include foster care, private school, special education, home-based intervention, residential services for mental health treatment, among others. For FY 2005, an increase of \$1,099,866 in Operating Expenses supports a 3.09 percent contract rate increase for the providers of mandated and non-mandated services in order to provide an appropriate cost-of-living adjustment to support their operations. This expenditure increase is partially offset by an increase of \$592,719 in state funding due to the associated state revenue match for the purchase of services, for a net cost to the County of \$507,147. Total expenditures in this program are approximately \$37.1 million to serve over 1,100 children and youth.

### **Other Contract Rate Increases**

**\$0.42 million**

FY 2005 funding for the Department of Family Services also includes an increase of \$419,000 in Operating Expenses to support a 3.09 percent inflationary contract rate increase for the providers of mandated and non-mandated services such as Home Care Aides, Head Start, and Healthy Families Fairfax.

## **CAPITAL CONSTRUCTION PROGRAM**

### **Capital Improvement Program Enhancements**

In FY 2005, the County will continue to benefit from Capital Improvement Program (CIP) enhancements over the past few years to address the dual challenges of providing new facilities to address population growth as well as meeting the ongoing capital renewal needs of existing facilities and infrastructure. Highlights of that program include the following:

### **Paydown Construction Program**

**\$18.85 million**

For FY 2005, a total of \$18,847,963 is included for County Paydown construction and is directed to the most critical projects. This program will be supported with a General Fund transfer of \$10,485,187 and state revenue of \$8,362,776. The recommended amount reflects an increase of \$4,457,146 or 31.0 percent over the FY 2004 Adopted Budget Plan amount of \$14,390,817 and includes the following components:

### **County Maintenance**

**\$1.58 million**

Funding of \$1,584,000 will continue to provide general maintenance for priority requirements at County facilities including carpet replacement; HVAC/electrical replacement; roof repairs and waterproofing; parking lot resurfacing; fire alarm system replacement; emergency generator replacement; maintenance costs associated with the Commercial Revitalization Program; and Americans with Disabilities Act (ADA) compliance at County facilities. Funding is also included for miscellaneous building repairs.

## County Executive Summary

### **Parks Maintenance**

**\$1.91 million**

An amount of \$1,911,156 has been included for Park maintenance at non-revenue-supported Park facilities in order to address such items as roof repairs/replacements; electrical and lighting systems; security and fire alarm systems; sprinklers; HVAC equipment; grounds maintenance; minor routine preventive maintenance; and ongoing implementation of ADA compliance at Park facilities.

### **Athletic Field Maintenance/Lighting Match Program**

**\$3.23 million**

Funding of \$3,232,813 has been included to address athletic field maintenance including field lighting, fencing, irrigation, dugout covers, infield dirt, aeration and seeding. In addition, funding of \$200,000 is provided for upgrading athletic field lighting at selected boys baseball and girls softball fields.

### **Stormwater Management**

**\$2.74 million**

Funding in the amount of \$2,740,000 has been included for storm drainage maintenance and emergency repairs including Kingstowne environmental monitoring; dam safety inspections and improvements; annual emergency drainage repairs throughout the County; and the mandated Virginia Pollutant Discharge Elimination System (VPDES) Municipal Separate Storm Sewer System (MS4) discharge permit, which is considered a renewal of the National Pollutant Discharge Elimination System (NPDES) permit that is valid for five years.

### **New or Renovated County Facilities**

**\$4.14 million**

A total of \$4,142,622 has been included for new or renovated County facilities including: \$1,000,000 for the acquisition of land or open space preservation throughout the County and \$3,142,622 to continue to address property management and development at the Laurel Hill property including continued asbestos mitigation efforts.

### **Payments and Obligations**

**\$2.78 million**

Funding in the amount of \$2,777,372 has been provided for costs associated with annual contributions and contractual obligations. This includes \$1,021,702 for the third year of a five-year lease/purchase agreement for systems furniture at the new South County Center. In addition, \$500,000 is included for the County's annual contribution to offset school operating and overhead costs associated with the new School Age Child Care (SACC) centers. Funding of \$350,000 is included to support payments to developers for interest earned on conservation bond deposits. The County requires developers to contribute funds to ensure the conservation of existing natural resources. Upon satisfactory completion of projects, the developer is refunded the deposit with interest. Finally, funding of \$905,670 is included for the County's annual contribution to the Northern Virginia Community College (NVCC) capital program, which provides for continued construction and maintenance at various capital projects on college campuses.

### **Revitalization Initiatives**

**\$0.94 million**

An amount of \$935,000 is provided for Commercial Revitalization projects to be approved by the Board of Supervisors in the context of the CIP and/or other planning discussions.



## County Executive Summary

### **Other Paydown Projects**

**\$1.53 million**

Other Paydown projects supported in FY 2005 total \$1,525,000 and include safety upgrades and emergency repairs to trails and sidewalks; VDOT participation for sidewalk repair and replacement; developer defaults; annual road maintenance; continuation of the TAC (Transportation Advisory Committee) Spot Improvement Program; and the Board of Road Viewers program.

### **Bond-Funded Projects**

**\$188.48 million**

In FY 2005, \$188,482,141 is included in General Obligation bond funding. Of this amount, \$130,000,000 is budgeted in Fund 390, Public School Construction; and \$19,750,000 is included in Fund 309, Metro Operations and Construction, to support the 103-mile Metrorail system, as well as maintain and/or acquire facilities, equipment, railcars and buses (including \$6.2 million in previously sold bonds). In addition, FY 2005 bond funding in the amount of \$38,732,141 includes Fairfax County's \$2,500,000 contribution to the Northern Virginia Regional Park Authority; construction costs of \$12,032,141 associated with the West Ox CONNECTOR Bus Facility; \$1,200,000 for design and permitting costs for the Wolf Trap Fire Station; and \$23,000,000 to support construction costs associated with the Public Safety Operations Center as approved by the voters in November 2002. Funding for these projects is consistent with the FY 2005-FY 2009 Advertised Capital Improvement Program (With Future Years to 2014).

## **TAX, FEE AND FARE ADJUSTMENTS**

The following describes the Tax Relief Program, the proposed Athletic Services Application Fee, as well as fee increases in several Other Funds such as transit, solid waste and sewer service.

### **Tax Relief Program**

The FY 2005 Advertised Budget Plan includes an increase in the maximum level of assets allowed for Real Estate Tax relief eligibility from \$190,000 to the State maximum of \$240,000 as directed by the Board of Supervisors as part of the *FY 2003 Carryover Review*. This change in the Tax Relief Program is anticipated to reduce revenue by approximately \$3.9 million in FY 2005. The income limits remain at 100 percent exemption for elderly and disabled taxpayers with incomes up to \$40,000; 50 percent for eligible applicants with income between \$40,001 and \$46,000; and 25 percent if income is between \$46,001 and \$52,000.

### **Athletic Services Application Fee**

For FY 2005, a new athletic services application fee is proposed to partially offset the cost of scheduling and coordinating community use of public athletic facilities. Estimated revenues totaling \$1,670,917 reflect the implementation of a \$3 per hour fee for community use of public athletic facilities scheduled through the Department of Community and Recreation Services' Athletic Services Division. Athletic organizations are provided facility space by the hour in accordance with their application for use of facilities and within established Fairfax County facility allocation policies. This fee, combined with existing revenue, will enable the Athletic Services Division to offset its operational costs. County staff is

## County Executive Summary

working extensively with the Athletic Council and athletic group coordinators to implement this proposal in FY 2005. Two other proposals are also under consideration including an organizational fee calculated based on the number of individuals enrolled in the organization. County staff will obtain feedback from the Athletic Council and athletic group coordinators regarding the proposed options and will work with them on implementation of the final proposal in FY 2005.

### **Transit Fare Increase**

The Fairfax County Department of Transportation (FCDOT) has been under increasing pressure to expand routes and the service frequency on existing routes. This has been difficult given budget constraints of recent years. However, as part of the FY 2005 budget, FCDOT has developed a plan that provides targeted service improvements on FAIRFAX CONNECTOR with only a minimal increase in General Fund support. This requires eliminating the fare discount on FAIRFAX CONNECTOR, which brings the cash fare to \$1.00, an increase of 25 cents over the FY 2004 cash fare of \$0.75. The Smart Card program would see an increase to \$0.60. FCDOT is also proposing an increase in the minimum fare for a Metrorail-to-bus transfer from \$0.25 to \$0.50. These fare increases would generate an additional \$0.9 million to support service enhancements for both the Reston-Herndon and Huntington Divisions. While fare increases are never popular, the proposed \$1.00 base fare is still below the current Metrobus base fare of \$1.20. In addition, the ridership decrease that FCDOT anticipated when the base fare was increased from \$0.50 to \$0.75 never materialized. In fact, ridership continued to grow in FY 2004 despite this fare adjustment, evidence of the high demand for this service.

### **Leaf Collection Fee Increase**

The Division of Solid Waste Collection and Recycling provides for leaf collection and disposal within 30 County Refuse Collection Districts. Leaf Districts are established and abolished through a petition process approved by the Board of Supervisors. A service fee is charged to homeowners and businesses within the districts based on the cost of the service. The FY 2004 levy is \$0.01 per \$100 of assessed value and has remained at that level since FY 1996 when it was reduced from \$0.02 per \$100 of assessed value due to an accumulation of fund balance. Over the past eight years, increases in disposal costs and other operating expenses due to an increasing customer base have significantly reduced the fund balance, making it necessary to increase the levy to \$0.015 per \$100 of assessed real estate value in FY 2005. This increase will generate an additional \$691,592 over the FY 2004 estimated leaf collection levy and should more accurately match revenues with expenditures. On average, homeowners in Leaf Districts will see an annual fee increase of approximately \$20.

### **Refuse Collection Fee Increase**

Residents within Sanitary Refuse Collection Districts who receive County refuse collection service are charged an annual service fee for regular trash pick-up and recycling. These districts are created by the Board of Supervisors upon citizen petition. The FY 2004 fee of \$210 per unit has been at that level since FY 2000 when it was reduced from \$240 in order to draw down the unreserved fund balance. During the past four years, the increasing cost of these services has absorbed the fund balance, which has now been significantly reduced. Due to increasing disposal fees and rising personnel costs, it is necessary to increase the annual fee to \$240 per unit in FY 2005 for approximately 40,000 customers who receive this service.

### **Sewer Fees Increase**

The FY 2005 Sewer Service Charge and Availability Fee are based on increased costs associated with capital project construction, system operation and maintenance, debt service, and upgrades to reduce nitrogen discharge from wastewater in order to meet more stringent regulations. In FY 2005, the Availability Fee charged to new customers for initial access to the system will increase from \$5,431 in

## County Executive Summary

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FY 2004 to \$5,621 for single-family homes based on current projections of capital requirements and is consistent with the analysis included in the Forecasted Financial Statement for July 1, 2003 through June 30, 2008. The Sewer Service Charge is billed to all existing customers and is used to fully recover operating and maintenance costs, debt service payments, and capital project funding primarily attributable to improving wastewater treatment effluent standards as mandated by state and federal agencies. The Sewer Service Charge will increase from \$3.03 to \$3.20 per 1,000 gallons of water consumption in FY 2005. Based on this rate increase, the additional annual cost to the typical household is anticipated to be \$12.92.

### FINANCIAL FORECAST

The Financial Forecast for FY 2006 reflects a deficit of approximately \$6.51 million. In accordance with the Board's Budget Guidelines, the increase in County expenditures and the transfer to the Schools have been limited to match the revenue growth, which is anticipated to be 5.82 percent in FY 2006. As a result, County and Schools spending will once again need to be constrained to fit within the projected revenue growth. This presents an ongoing challenge to accommodate cost increases associated with inflation, population growth, state and federal mandates, and other factors. Three years of budget reductions have eroded what little flexibility we had to meet this challenge; future strategies will have to rely on more difficult choices about the types and level of service we will be able to provide in the future. Details of the FY 2006 Forecast can be found in the Financial Forecast section of this volume.

### Conclusion

I would be remiss if, in presenting the numerous challenges we face in preparing a budget that balances the needs of taxpayers against service expectations, I did not address the County's many positive attributes. We benefit from a healthy economy, which despite downturns and fall-out from the national and state economies, continues to grow. Our rapidly growing and diverse population continues to become more engaged in their local government and we are continually seeing increased participation by volunteers and others in all facets of County operations.

We all benefit from a public safety system that is among the best in the country, if not the world. This is demonstrated day in and day out, but never more so than when we face extraordinary situations such as the sniper incidents or Hurricane Isabel. One image in particular stands out in my mind from that weather-related disaster. Sections of the County sustained a great deal of damage and residents were hard-pressed to clear the storm debris that stood in their way of returning to normalcy. A local television crew filming the aftermath in the Belleview area came across a homeowner whose egress was blocked by a large tree. They filmed a County police officer on the scene pulling a chainsaw out of the trunk of his patrol vehicle, cutting through the tree and clearing the way for the homeowner. Bystanders were amazed because they did not expect a law enforcement officer to handle such a task.

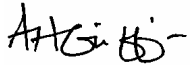
Yet this is so indicative of our employees who consistently go the extra mile to serve citizens. I also recall how so many County employees spent days and nights away from their own families before, during and after the hurricane so they could staff shelters, arrange for emergency assistance and provide for the public's safety. I could recount many other such examples.

## County Executive Summary

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Responding to changing and challenging circumstances is nothing new to County employees. This budget itself is testimony to the countless hours of strategic thinking that has taken place and the efforts of many to reorient the budget toward a document that more accurately reflects our priorities as a community. As I noted previously, this is the first step of many on our path toward more strategic allocation of scarce resources to ensure that the services we provide are in line with community expectations. It is my hope that this will lay the groundwork for an ongoing dialogue about the County's direction for the future and how we will finance it. I look forward to this discussion with you over the coming months.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'A.H.G.' followed by a stylized flourish.

Anthony H. Griffin  
County Executive

# County Executive Summary

## FY 2005 FAIRFAX COUNTY BUDGET FACTS

### Budget Guidelines

- ◆ In April 2003, the Board of Supervisors approved **Budget Guidelines** that directed the County Executive to develop a budget for Fiscal Year 2005 that limits increases in expenditures to projected increases in revenues.
- ◆ **Information on FY 2005 revenue and the economic outlook** should be forwarded to the Board in late 2003 so they could provide guidance regarding the tax rate and Schools transfer.
- ◆ **Available balances** materializing at the Carryover and Third Quarter Reviews that are not required to support expenditures of a critical nature or to address the Board's policy on the Revenue Stabilization Fund should be held in reserve to offset future requirements.
- ◆ **In order to prevent future structural imbalances**, non-recurring funds will be directed toward non-recurring uses and only recurring resources may be targeted toward recurring expenses.
- ◆ **The County's policy concerning the utilization of recurring and non-recurring funds** should be followed by the School Board.

### Tax Base

- ◆ **Total FY 2005 General Fund Revenue** is \$2.74 billion and reflects an increase of \$168.88 million or 6.57 percent over the *FY 2004 Revised Budget Plan*.
- ◆ **One Real Estate Penny** is equivalent to approximately \$14.5 million in tax revenue.
- ◆ **One Personal Property Penny** is equivalent to approximately \$1.0 million in tax revenue.
- ◆ **Average Residential Assessed Property Value** is \$357,506.
- ◆ **The Commercial/Industrial percentage** of the County's Real Estate Tax base is 18.20 percent, the lowest rate in over 20 years.
- ◆ **Assessed Value** of all real property is projected to increase \$15.6 billion or 12.04 percent over FY 2004.
- ◆ **Real Estate and Personal Property Taxes** (including the Personal Property portion being reimbursed by the Commonwealth) comprise approximately 77.8 percent of General Fund Revenues.

### Expenditures

- ◆ **General Fund Direct Expenditures** total \$1.00 billion, an increase of 2.50 percent over the *FY 2004 Revised Budget Plan*.
- ◆ **General Fund Disbursements** total \$2.73 billion and reflect an increase of \$117.10 million or 4.47 percent over the *FY 2004 Revised Budget Plan*.
- ◆ **The County General Fund Transfer** for school operations totals \$1.32 billion, an increase of \$81.52 million or 6.57 percent over the *FY 2004 Revised Budget Plan* transfer.
- ◆ **Expenditures for All Appropriated Funds** total \$4.65 billion.
- ◆ **General Fund Support for Information Technology (IT) Projects** is \$11.63 million. FY 2005 project consideration was guided by priorities established by the IT Senior Steering Committee. Projects with the highest priority include those mandated by the federal or state government, those necessary to complete previous project investments, improve service and efficiency, and maintain the IT infrastructure.
- ◆ **Pay-As-You-Go Capital Construction** projects total \$18.85 million.
- ◆ **Authorized Positions** for all funds are increasing by a net 46/44.86 SYE positions in FY 2005. This reflects an increase of 53/51.86 SYE positions, most of which are for new facilities and public safety requirements, partially offset by a decrease of 7/7.0 SYE positions associated with a reorganization of the Radio Shop.

### Tax Rates

- ◆ **Real Estate Tax Rate** remains at \$1.16 per \$100 assessed value.
- ◆ **Personal Property Tax Rate** remains at \$4.57 per \$100 assessed value.
- ◆ **Refuse Disposal Rate** increases from \$45 to \$48 per ton.
- ◆ **Leaf Collection Rate** increases from \$0.01 per \$100 assessed valuation to \$0.015 per \$100 assessed value.
- ◆ **Sewer Service Rate** increases from \$3.03 to \$3.20 per 1,000 gallons of water consumption.
- ◆ **Sewer Availability Charge** for new single family homes increases from \$5,43 to \$5,621.
- ◆ **Refuse Collection Rate** for County collection sanitation districts increases from \$210 to \$240 per household.
- ◆ **Solid Waste Ash Disposal Rate** remains constant at \$11.50 per ton.
- ◆ **Integrated Pest Management Program**, a Countywide Special Tax, remains at \$0.001 per \$100 of assessed value, or an average of \$3.57 per household.
- ◆ **E-911 Tax Rate** remains at \$2.50 per line per month in order to recover expenditures allowable by the *Code of Virginia*.

### Population

- ◆ **Fairfax County's population** is estimated to be 1,033,600 persons as of January 2004. This is an increase of 1.4 percent over the January 2003 estimate of 1,019,000 and is an increase of 26.3 percent over the 1990 census count of 818,584.